

CAUSE NO. GV 000274

STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
	§	
Plaintiff,	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
OLD AMERICAN COUNTY MUTUAL	§	
FIRE INSURANCE COMPANY,	§	
	§	
Defendant.	§	250TH JUDICIAL DISTRICT

ASSURANCE OF VOLUNTARY COMPLIANCE

This Assurance of Voluntary Compliance ("AVC") is made and entered into this _____ day of _____, 2004, by and between the State of Texas, acting through its Attorney General Greg Abbott, and Old American County Mutual Fire Insurance Company (also referred to as "Defendant" or "Old American").

I. RECITALS

1.1 Old American is chartered as a county mutual insurance company pursuant to TEX. INS. CODE ANN. § 912, *et seq.*, and it writes auto insurance in the State of Texas.

1.2 This action was commenced by the State of Texas on February 14, 2000, with Plaintiff's Original Petition complaining of Old American, and alleging violations of the Texas Deceptive Trade Practices - Consumer Protection Act, TEX. BUS. COM. CODE §17.41, *et seq.*, and violation of TEX. INS. CODE Art. 21.21, and TEX. ADMIN. CODE ANN. § 21.1, *et seq.* The State of Texas complained in its Petition of the practice of deducting an amount for depreciation or betterment on certain first party claims under the Texas Private Passenger Automobile Policy of Insurance, alleging that such practice was not allowed under the policy language in the Limit of

Liability Provision, Part D - Coverage for Damage to Your Auto. In its petition, the State of Texas sought injunctive relief, restitution to insureds, civil penalties and attorney's fees and costs.

1.3 From January 1, 1996, to the present, Old American accepted and processed Texas personal auto insurance policies and adjusted claims through its “Direct” program, American Agencies General Agency, Inc. In addition, pursuant to TEX. INS. CODE ANN. art. 21.07-3, Old American entered into agreements with Texas-licensed Managing General Agents (“MGA's”) whereby Old American authorized the MGA's to conduct field operations on its behalf, including accepting and processing insurance policies produced by other agents, and adjusting claims. From January 1, 1996, to the present, Old American had contracts with a total of 28 MGA's which conducted field operations on Old American's behalf with respect to the sale of Texas personal auto policies and the adjustment of claims. Attached hereto as **Exhibit A** is a list of the MGA programs with which Old American contracted.

1.4 In response to the Attorney General's investigation and lawsuit, Old American investigated the practices of its “Direct” program with regard to deducting an amount for depreciation or betterment on first party auto repair claims since 1996 and conducted audits of its books and records. It also requested that the MGA's with which it had contracts determine their practices with regard to deducting an amount for depreciation or betterment on first party auto repair claims since 1996 and conduct audits of their books and records. Old American determined that its “Direct” program had deducted for depreciation or betterment on first party auto repair claims and has provided an affidavit stating this fact. Sworn affidavits have been provided for Old American's MGA's as follows:

(a) Nineteen (19) MGA's did not deduct for depreciation or betterment on first party auto repair claims.

(b) Nine (9) MGA's, including American Agencies General Agency, Inc., conducted audits and determined that depreciation or betterment had been deducted on some first party auto repair claims. Five (5) of these MGA's conducted a complete audit and four (4) conducted partial audits and projected what the additional depreciation or betterment would have been.

The five (5) MGA's that conducted a complete audit of their books and records stated that a total of \$53,433.31 was deducted for depreciation or betterment on first party auto repair claims since 1996.

The four (4) MGA's that conducted a sample audit of their books and records estimated that a total of \$632,087.80 was deducted for depreciation or betterment on first party auto repair claims since 1996.

(c) Although it was Horace Mann Insurance Company's policy not to deduct for depreciation and betterment, it found one isolated instance where it took depreciation and betterment of \$86.70.

1.5 In providing the information and data on which this AVC is based, Old American relies on its own records and the sworn affidavits of the MGA's with which it has contracts. In Thomas A. McCall's affidavit attached as **Exhibit B**, Old American attests that the spread sheet attached to **Exhibit B** is an accurate summation of the information and data gathered from its own records and provided to it by the MGA's.

1.6 The practice of deducting for betterment or depreciation on first party claims has been a common practice of automobile insurers in Texas for many years and at least since adoption of the current Texas Personal Auto Policy in 1981.

1.7 The Texas Department of Insurance ("TDI") is the state agency authorized by the Texas legislature to regulate the business of insurance in Texas. TDI promulgated the standard and

uniform Texas Personal Auto Policy in 1981. Although aware of insurers' practice of deducting betterment or depreciation for first party collision or comprehensive claims under the Texas Personal Auto Policy, TDI did not formally object to the practice until February 24, 2000, through Commissioner's Bulletin No. B-0014-00.

1.8 Old American alleges that it and the MGA's with which it had contracts ceased the practice of deducting for betterment or depreciation on first party auto repair claims by February 24, 2000, except that Harbor Insurance Managers did not cease this practice until December 31, 2000, and A-Affordable MGA/Metroplex did not cease this practice until September 30, 2001.

1.9 Old American and its agents deny any and all liability for the claims asserted and contends that they properly and timely paid all amounts due insureds under the policy terms. Old American and its agents deny any violation of the Texas Deceptive Trade Practices - Consumer Protection Act, TEX. BUS. COM. CODE §17.41 *et seq.*, deny any violation of TEX. INS. CODE Art. 21.21, and deny any violation of 28 TEX. ADMIN. CODE §21.3 (b) or 21.1, *et seq.*

1.10 The Parties are desirous of entering into, and obtaining approval of this AVC, pursuant to TEX. BUS. COM. CODE §17.58 in order to fully and finally resolve the State's claims and disputes related to the practice of deducting an amount for depreciation or betterment on first party repair claims under the collision and comprehensive coverages of the Texas Personal Auto Policy.

1.11 Old American and its agents intend that the payment provisions of this AVC offer full and complete restitution for Old American's and its agents' alleged violations of the DTPA and Texas Insurance Code.

II. AGREEMENT

2.1 In consideration of the mutual promises and covenants herein contained, the State of Texas and Old American and its agents agree as follows:

2.2 Old American and its agents will pay each and every insured, whether a current policyholder or not, according to the procedures set forth in this AVC, the total amount deducted as depreciation or betterment ("the deduction amount"), if any, from each first party comprehensive or collision coverage claim (where the covered auto was not adjusted as a total loss) made by the insured against a Texas personal auto policy issued by Old American where the claim was paid, in whole or in part, on or after January 1, 1996. Old American and its agents shall also pay to the insured 10% per annum simple interest on the deduction amount with such interest to be calculated from the date the claim was originally paid.

2.3 Based on information and data provided by the MGA's from their audits, Old American has identified 566 insureds who may be entitled to payment under paragraph 2.2. Old American and its agents will mail to each of these presently identified insureds (unless the insured has already recovered or been paid the full deduction amount), and to any insureds who subsequently request and are identified as being entitled to payment under paragraph 2.2 of the AVC, a check or draft in the amount of the deduction amount, plus 10% per annum interest on such amount, calculated from the date the claim was originally paid. Old American and its agents will make their best efforts to mail payment to presently identified insureds entitled to payment under paragraph 2.2 within sixty (60) days of the effective date of this AVC. Old American and its agents presently estimate the total amount of such payment to the presently identified insureds to be approximately \$127,673.37 including interest.

2.4 Other than presently identified insureds, Old American and its agents have been unable to identify, through searches of their electronic records, those first party auto repair claims in which betterment or depreciation was deducted. Old American and its agents have estimated, by extrapolating figures from the MGA audits for each calendar year since 1996, that approximately 3,960 presently unidentified insureds may be also be entitled to payment under paragraph 2.2 above. Old American and its agents will set aside and hold, for a period of two years after the effective date of this AVC, the amount of \$939,519.48 including interest ("the set-aside") for payment of claims to the presently unidentified policyholders who qualify under paragraph 2.2 of this AVC and whose first party comprehensive or collision coverage claim was paid, in whole or in part, before September 30, 2001, but after December 31, 1995. Old American acknowledges that it will have to establish a claims process under this AVC. Two years after the effective date of this AVC, the claims process will terminate and any and all unpaid amounts from the set-aside shall be paid within 60 days to the Office of the Attorney General for deposit to the State of Texas' general revenue fund. The payments to insureds under this paragraph shall be made as follows:

(a) Within forty-five (45) days after the effective date of this AVC, Old American and its agents will mail the Old American Notice and Claim Form in the form attached hereto as **Exhibits C and D** to its Texas policyholders who were paid on a comprehensive or collision claim (excluding those claims adjusted as a total loss) before September 30, 2001, but after December 31, 1995, and whose names and addresses are known to Old American from either its own records or whose names and addresses were made known to Old American by the MGA's. In addition, no later than forty-five (45) days after the effective date of this AVC, Old American and its agents shall also send, via electronic mail, **Exhibits C and D** (the Old American Notice and Claim Form) to any Old American policyholder who was paid on a comprehensive or collision claim (excluding those claims

adjusted as a total loss) before September 30, 2001, but after December 31, 1995, whose e-mail address is available to Old American from either its own records or were made known to Old American by its MGA's.

(b) No later than forty-five (45) days after the effective date of this AVC, Old American shall publish notice of this AVC, and the claims process described herein, in newspapers of general and daily circulation in Texas cities having a population of 500,000 or more, as determined by the most recent U.S. census. The newspaper notice shall be in the form and have the content of **Exhibit E**, and shall be published in the newspapers' section for legal notices for a period of seven (7) seven consecutive days. In addition, no later than forty-five (45) days after the effective date of this AVC, Old American shall publish notice of this AVC and the claims process described herein for a continuous period of twenty-two (22) months on any website it maintains. The website notice shall also be in the form and have the content of **Exhibit E**, and shall be clearly and conspicuously displayed. Old American shall maintain a log with the name and addresses of persons who have contacted it in response to the published notice. Old American represents that publication in newspapers of general and daily circulation in Texas cities having a population of 500,000 or more, as determined by the most recent U.S. census, will result in publication in cities and those counties immediately adjacent to those cities in which approximately ninety percent (90%) of Old Americans' insureds reside. If publication in such cities results in less than ninety percent (90%) coverage, then Old American will publish the notice in the next largest cities as necessary to achieve at least ninety percent (90%) coverage. Old American will provide to the Attorney General an affidavit regarding publication to support its representation of ninety percent (90%) coverage.

(c) After Old American and its agents mail a claim form, the policyholder must return by mail the claim form (**Exhibit D**) to Old American within 90 days of the date of the mailing to initiate the claims review process.

(d) Following the receipt of a timely-returned claim form, Old American and its agents will review the original claim file, and if there is an indication anywhere in the claim file that betterment or depreciation was deducted, the policyholder is entitled to the deduction amount plus interest pursuant to this AVC unless (i) there is clear and unequivocal documentation in the claim file that betterment or depreciation was ultimately not deducted on the claim or (ii) Old American's and its agents' records clearly and unequivocally reflect that the betterment or depreciation amount has already been refunded.

(e) After the claims review process, if Old American and its agents determine from the criteria set forth in this AVC that the policyholder is entitled to payment under paragraph 2.2 of this AVC, then within (60) days of the date the claim form is received, Old American and its agents shall mail directly to each such policyholder a check or draft for the deduction amount plus interest as provided in this AVC.

2.5 Each check or draft may also include on the back of the check or draft a release as follows: "I release Old American County Mutual Fire Insurance Company and its agents from any and all liability related to or arising out of any betterment or depreciation deducted on this claim."

2.6 Each check or draft issued to a policyholder pursuant to paragraph 2.3 of this AVC shall be accompanied by the letter in the form attached hereto as **Exhibit F-1**. Each check or draft issued to a policyholder pursuant to the claims procedure set forth in paragraph 2.4 of this AVC shall be accompanied by the letter in the form attached hereto as **Exhibit F-2**. If a policyholder is not entitled to payment pursuant to the claims procedure set forth in paragraph 2.4 of this AVC, Old

American and its agents shall notify the policyholder by a letter in the form attached hereto as **Exhibit G.**

2.7 Each check or draft will be mailed by first class mail, with address correction requested, to the most current address available to Old American and its agents. All such payments returned to Old American and its agents with a corrected address will be forwarded to such corrected address. Any checks or drafts returned to Old American and its agents that are undeliverable shall be subject to TEX. PROP. CODE ANN. § 72.001, *et seq.* Old American and its agents shall pay all costs in connection with making payments under this AVC.

2.8 Thirty-two (32) months after the Effective Date, Old American and its agents shall file with the Attorney General a verified report under oath, which shall state:

(a) the total dollar amount of payments, including interest, mailed to policyholders pursuant to this AVC;

(b) the total number of policyholders to whom checks or drafts were mailed;

(c) the total number and dollar amount of negotiated checks or drafts;

(d) the total number and dollar amount of returned checks or drafts;

(e) a list of policyholders to whom notice was sent;

(f) the total number policyholders who, pursuant to paragraphs 2.3 or 2.4 hereof, were determined to be entitled to payment under paragraph 2.2 of this AVC; and

(g) the total number policyholders who, under paragraph 2.3 or 2.4 hereof, request payment of the deduction amount but who are determined by Old American not to be entitled to payment under paragraph 2.2 of this AVC.

2.9 On or before the effective date of this AVC, and continuing thereafter, until and unless the Limit of Liability section of Part D coverage under the Texas personal auto policy issued

by Old American County Mutual Fire Insurance Company is amended to specifically permit deduction for depreciation or betterment on collision or comprehensive claims where the covered auto is not adjusted as a total loss, Old American and its agents shall cease and desist from: (a) deducting amounts for betterment or depreciation on first party collision or comprehensive coverage auto insurance claims covered under a Texas personal auto policy where the covered auto has not been adjusted as a total loss; and (b) representing to any person making a first party collision or comprehensive coverage auto insurance claim covered under a Texas personal auto policy, where the covered auto has not been adjusted as a total loss, that deduction for betterment or depreciation on such claim is legal, required, or otherwise permitted.

2.10 Within 10 days of the effective date of this AVC, Old American and its agents shall pay \$100,000.00 to the Office of the Attorney General as its attorneys' fees, expenses, and costs of investigation. Failure to pay within the designated time period shall be a material breach of this agreement.

2.11 Old American further agrees that it:

(a) will not cancel or refuse to renew the insurance coverage of any Old American insured because that insured has filed a claim form or received a payment under this AVC; provided, however, that such agreement shall not prevent Old American from canceling or non-renewing any insurance policy, or coverage under any insurance policy (including a policy held by an insured who receives a payment hereunder), for any other legitimate reason; and

(b) will not consider payments made to policyholders or to the Attorney General pursuant to this AVC in projecting future rate needs, for purposes of setting the rates Old American charges for motor vehicle insurance policies issued by Old American in Texas; provided, however, that this agreement is not intended to supersede any requirement imposed by law, or by regulation, order, or

directive of the Texas Department of Insurance, on the reporting of data or the setting of rates for Texas motor vehicle insurance.

III. COURT APPROVAL

3.1 The parties agree that they will submit this AVC to a court of competent jurisdiction in Travis County and request that the court approve and enter this AVC pursuant to the terms set forth in this AVC and TEX. BUS. & COM. CODE §17.58.

3.2 This agreement shall be deemed to be finally approved and effective only after the Court has entered an order approving this AVC. If the court does not approve the terms of this AVC, this AVC shall become null and void.

3.3 The parties hereto agree that this is a compromise of a disputed claim, and that this AVC is entered into without admitting any liability, which liability is expressly denied, and without agreement by any party to any of the allegations made by another party. Nothing contained herein shall be deemed an admission of liability or wrongdoing of any kind.

3.4 The parties hereto agree to release and discharge each other and their agents and representatives (including reinsurers) from any and all claims for damages or other relief, other than as provided herein, arising out of Old American's and its agents' practice of deducting for betterment or depreciation on first party collision or comprehensive coverage auto damage insurance claims (where the covered auto has not been adjusted as a total loss) that may exist as of the effective date of this AVC, whether or not asserted by the parties, in their pleadings in this case or otherwise.

3.5 The parties represent and warrant, each to the other, that each has the authority to enter into and make this AVC, and to bind themselves to this AVC. Old American and the Attorney General agree that nothing in this AVC shall create any private rights, causes of action or remedies of any other party against Old American and/or its agents.

3.6 This AVC shall be governed by TEX. BUS. & COM. CODE §17.58.

3.7 Any and all taxable costs of court are taxed against Old American.

IV. MISCELLANEOUS PROVISIONS

4.1 No modification of this AVC may be made, except by written agreement of both the Plaintiff and Old American.

4.2 This AVC may be executed in any number of counterparts and each of which when so executed shall be deemed an original and all of which taken together shall constitute one and the same AVC.

EXECUTED AND EFFECTIVE this _____ day of _____, 2004.

GREG ABBOTT
Attorney General of Texas

BARRY R. McBEE
First Assistant Attorney General

EDWARD D. BURBACH
Deputy Attorney General for Litigation

PAUL CARMONA
Chief, Consumer Protection and Public Health Division

By: _____
RAY OLAH
State Bar No. 00794391
Assistant Attorney General
Consumer Protection and Public Health Division
P.O. Box 12548 Capitol Station
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(512) 936-1705
(512) 463-1267 FAX

ATTORNEYS FOR THE STATE OF TEXAS

LONG, BURNER, PARKS & DeLARGY, P.C.
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Austin, Texas 78768-2212
Telephone: (512) 474-1587
Facsimile: (512) 322-0301

By: _____
Larry Parks, TBA No. 15524800
For the Firm

ATTORNEYS FOR DEFENDANT

OLD AMERICAN COUNTY MUTUAL FIRE INSURANCE COMPANY

By: _____
Thomas A. McCall

Title: President

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

On this _____ day of _____, 2004, before me, the undersigned authority, personally appeared Thomas A. McCall, who is personally known to me and acknowledged himself to be an agent for Old American County Mutual Fire Insurance Company, and he, as such an agent, being authorized to do so, executed the foregoing instrument for the purpose and consideration therein contained by signing for Old American County Mutual Fire Insurance Company by himself as an agent for such.

In witness whereof, I hereunto set my hand and official seal.

Notary Public, State of Texas

EXHIBIT A

MGA	D&B Partial Audit	D&B Complete Audit	No. D&b
21st Century			X
ACCC General Agency			X
Advantage General Agency		X	
Alpha Indemnity Services			X
Amcorp General Agency			X
Am. International Group		X	
American Southwest			X
America's Low Cost		X	
Anco Insurance Mgrs.			X
Arrowhead General Agency			X
Beacon National Ins. Co.			X
Brushy Creek Gen. Agency			X
Cartel/Insure Express Ins. Services			X
Harbor Ins. Mgrs.	X		
Horace Mann			X (mistake \$86.70)
Insurance Service & Mgmt, Inc.			X
Legacy MGA			X
Logic Underwriters			X
Louis A. Williams & Assoc.			X
Instant Auto MGA, d/b/a A-Affordable MGA/Metroplex	X		
NA of Texas	X		
American Agencies General Agency, Inc.	X		
Phoenix Indemnity Ins. Co.		X	
South Texas General Agency			X

Standard Insurance Agency			X
Superior Insurance Co.			X
Underwriters MGA			X
Van Wagoner Companies		X	
28 Total	4	5	19

EXHIBIT B

CAUSE NO. GV 000274

STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
	§	
Plaintiff,	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
OLD AMERICAN COUNTY MUTUAL FIRE INSURANCE COMPANY,	§	
	§	
Defendant.	§	250TH JUDICIAL DISTRICT
	§	
STATE OF TEXAS	§	
	§	
COUNTY OF DALLAS	§	

AFFIDAVIT OF THOMAS A. McCALL

Before me, the undersigned authority, personally appeared Thomas A. McCall, who, being by me duly sworn, deposed as follows:

“1. My name is Thomas A. McCall. I am of sound mind, capable of making this affidavit, and personally acquainted with the facts stated herein or have gathered such facts from the records and personnel of Old American County Mutual Fire Insurance Company (“Old American”) and the affidavits of the MGA’s identified in this affidavit.

2. I am President of Old American. I have been employed in that capacity since June 2000.

“3. For the time period January 1, 1996 to the present date, Old American accepted and processed Texas personal auto insurance policies and adjusted claims through its “Direct” program, American Agencies General Agency, Inc. In addition, pursuant to Tex. Ins. Code Ann. 21.07-3, Old American entered into agreements with Texas-licensed operations on its behalf, including accepting and processing insurance policies produced by other agents, and adjusting claims.

“4. From January 1, 1996 to the present date, Old American had contracts with a total of twenty-eight (28) MGA’s that conducted field operations on Old American’s behalf with respect to the sale of Texas personal auto policies, and the adjustment of claims. These twenty-eight MGA’s are identified on Exhibit “1,” attached hereto. The American Agencies General Agency, Inc., program is included in the twenty-eight programs.

“5. Nineteen (19) MGA’s (21st Century, ACCC General Agency, Alpha Indemnity Services, Amcorp General Agency, American Southwest, Anco Insurance Managers, Arrowhead General Agency, Beacon National Insurance Co., Brushy Creek General Agency, Cartel/Insure Express Insurance Services, Horace Mann, Insurance Service & Management, Inc., Legacy MGA, Logic Underwriters, Louis A. Williams & Associates, Inc., South Texas General Agency, Standard Insurance Agency, Superior Insurance Co., and Underwriters MGA) have stated under oath that they took no deductions for depreciation or betterment.

“6. Nine (9) MGA’s (Advantage General Agency, American Agencies General Agency, Inc., American International Group, America’s Low Cost, Harbor Insurance Managers, Instant Auto MGA, d/b/a A-Affordable MGA/Metroplex, NA of Texas, Inc., Phoenix Indemnity Insurance Co., and Van Wagoner Companies) performed either partial or complete audits of their programs and stated under oath that they found that they had taken deductions for depreciation or betterment.

“7. Horace Mann Insurance Company stated under oath that it was its policy not to take deductions for depreciation or betterment on its claims. However, a complete audit revealed that it had deducted for depreciation or betterment on one claim.

“8. Exhibit “2” attached hereto is a spreadsheet that shows the dollar amount of depreciation and betterment that was taken (either determined by audit or estimated based on partial audit) by the nine (9) entities identified in paragraph 6. above, for the January 1, 1996 through present time period.

“9. Based on Old American’s records and the information provided to it by the MGA’s, Old American estimates that \$685,607.81 (principal amount) is due to consumers under the terms of this AVC and that interest on that amount, calculated through August 31, 2004, for the Advantage General Agency, American Agencies General Agency, Inc., American International Group, America’s Low Cost, Harbor Insurance Managers, Horace Mann Insurance Company, Instant Auto MGA, d/b/a A-Affordable MGA/Metroplex, NA of Texas, Inc., Phoenix Indemnity Insurance Co., and Van Wagoner Companies programs is \$381,585.04.

“10. Old American represents that publication in newspapers of general and daily circulation in Texas cities having a population of 500,000 or more, as determined by the most recent U.S. census, will result in publication in cities and those counties immediately adjacent to those cities in which approximately ninety percent (90%) of Old Americans’ insureds reside. If publication in such cities results in less than ninety percent (90%) coverage, then Old American will publish the notice in the next largest cities as necessary to achieve at least ninety percent (90%) coverage.”

Further Affiant sayeth not.

Thomas A. McCall, President

SWORN TO AND SUBSCRIBED before me on the _____ day of _____, 2004.

Notary Public, State of Texas

EXHIBIT "1"

**Old American County Mutual Fire Insurance Company
Managing General Agency for Period 1/1/1996 through 8/31/04**

**21st Century
ACCC General Agency
Advantage General Agency
Alpha Indemnity Services
Amcorp General Agency
American International Group
American Southwest
America's Low Cost
Anco Insurance Managers
Arrowhead General Agency
Beacon National Insurance Co.
Brushy Creek General Agency
Cartel/Insure Express Insurance Services
Harbor Insurance Managers
Horace Mann Insurance Company
Insurance Service & Management, Inc.
Legacy Managing General Agency
Logic Underwriters
Louis A. Williams & Associates, Inc.
Instant Auto Managing General Agency, d/b/a A-Affordable MGA
North American of Texas, Inc.
American Agencies General Agency, Inc./Old American Direct
Phoenix Indemnity Insurance Co.
South Texas General Agency
Standard Insurance Agency
Superior Insurance Co.
Underwriters Managing General Agency
Van Wagoner Companies**

EXHIBIT "2"

**Depreciation and Betterment Taken
January 1, 1996 through September 30, 2001**

Program	D&B Amount Projected	D&B Amount Actual
Advantage		\$16,814.31
AIG MGA		\$28,829.06
America's Low Cost		\$3,453.18
Harbor	\$82,835.89	\$8,637.56
Horace Mann	\$0.00	\$86.70
AAMGA	\$289,797.49	\$10,782.45
NA of Texas	\$42,810.01	\$0.00
American Agencies General Agency, Inc.	\$187,458.94	\$9,765.46
Phoenix	\$392.70	\$2,879.81
Van Wagoner	\$290.25	\$774.00
Total:	\$603,585.28	\$82,022.53

EXHIBIT C

Date: _____, 2004

Old American County Mutual Fire Insurance Company ("Old American") and the Texas Attorney General, Greg Abbott, have recently come to an agreement regarding deductions for depreciation or betterment on certain collision or comprehensive coverage auto insurance claims. Despite the fact that this was a common practice among insurance companies, Old American has elected to avoid the additional time and expense of litigation with the Attorney General by settling the issue and avoiding the potential of increased costs which could result in raising automobile insurance rates.

Old American has agreed to return to eligible Old American policyholders the amount deducted for depreciation or betterment on their claims. Old American has also agreed to pay to the insured 10% per annum simple interest on the deduction amount with such interest to be calculated from the date the claim was originally paid. You may be an eligible policyholder if:

- (1) You presented a collision or comprehensive claim for damages to an auto covered under your Old American policy (other than a total loss), AND
- (2) Your claim was paid between January 1, 1996, and September 30, 2001, AND
- (3) A betterment or depreciation amount was noted on your estimate, or you believe it was deducted, and a deduction for betterment or depreciation can be verified by your own records or a presently existing claim file. In order to expedite the claim process, please provide a copy of your written estimate, if available.

Enclosed with this notice is a claim form for you to complete in order to determine whether you are eligible for a return of the amount deducted for depreciation or betterment in accordance with the above eligibility requirements. If you believe you meet the above criteria, please complete the attached form, along with any supportive documentation, and return it by first class mail to the following:

Old American Claims Administrator
P.O. Box 700668
Dallas, Texas 75370-0668

YOU MUST COMPLETE AND MAIL THE ATTACHED CLAIM FORM WITHIN 90 DAYS OF THE DATE OF THIS LETTER.

If you have any questions concerning this form, please contact the Claims Administrator at 1-866-233-7091 ext. 970 or 214-561-1970.

EXHIBIT D

POLICYHOLDER SETTLEMENT CLAIM FORM

RETURN THIS FORM BY MAIL ONLY IF A BETTERMENT OR DEPRECIATION AMOUNT WAS NOTED ON YOUR VEHICLE ESTIMATE, OR IF YOU BELIEVE BETTERMENT OR DEPRECIATION WAS DEDUCTED AND A DEDUCTION CAN BE VERIFIED BY YOUR OWN RECORDS OR A PRESENTLY EXISTING CLAIM FILE.

Named Insured: _____

Current Address (Please include street Address, Apt. #, City, State and Zip Code):

Current Home Phone: _____

Old American Auto Policy Number (at time of loss): _____

Claim Number (if available; please refer to any correspondence received with your claim):

Date of Loss (if known): _____

Signature

Date

YOU MUST COMPLETE AND MAIL THIS CLAIM FORM WITH ANY SUPPORTING DOCUMENTATION WITHIN 90 DAYS OF THE DATE IT WAS MAILED TO YOU.

For internal use only

Date Mailed: ____/____/____ Date Received: ____/____/____ MGA: _____

Date MGA: ____/____/____ Final Status: _____ Final Date: ____/____/____

EXHIBIT E

**NOTICE OF SETTLEMENT AND CLAIMS PROCEDURE FOR
OLD AMERICAN COUNTY MUTUAL FIRE INS. CO. POLICYHOLDERS**

Old American County Mutual Fire Insurance Company ("Old American") and the Texas Attorney General, Greg Abbott, have recently come to an agreement regarding deductions for depreciation or betterment on certain collision or comprehensive coverage auto insurance claims. Old American has agreed to return to eligible Old American policyholders the amount deducted for depreciation or betterment on their claims. Old American has also agreed to pay to the insured 10% per annum simple interest on the deduction amount with such interest to be calculated from the date the claim was originally paid. You may be an eligible policyholder if:

- (1) You presented a collision or comprehensive claim for damages to an auto covered under your Old American policy (other than a total loss), **AND**
- (2) Your claim was paid between January 1, 1996, and September 30, 2001, **AND**
- (3) A betterment or depreciation amount was noted on your estimate, or you believe it was deducted, and a deduction for betterment or depreciation can be verified by your own records or a presently existing claim file. In order to expedite the claim process, please provide a copy of your written estimate, if available.

IF YOU BELIEVE THAT YOU MEET THE ABOVE CRITERIA, YOU MAY REQUEST A CLAIM FORM BY CALLING 1-866-233-7091 ext. 970 OR BY CONTACTING Old American VIA E-MAIL AT claims@oldam.com. You must complete and return the claim form, along with any supportive documentation, to the address below and the Old American Claims Administrator will determine whether you are eligible for a return of the amount deducted for depreciation or betterment, in accordance with the above eligibility requirements.

Old American Claims Administrator
P.O. Box 700668
Dallas, Texas 75370-0668

YOU MUST COMPLETE AND MAIL THE CLAIM FORM WITHIN 90 DAYS OF THE DATE YOU RECEIVE IT.

If you have any questions concerning the settlement between the Attorney General and Old American or this claim procedure, please contact the Claims Administrator at 1-866-233-7091 ext. 970 or 214-561-1970.

EXHIBIT F1--FORM LETTER

DATE

DATE OF LOSS:

POLICY NUMBER:

CLAIM NUMBER:

Old American County Mutual Fire Insurance Company ("Old American") and the Texas Attorney General, Greg Abbott, have recently come to an agreement regarding deductions for depreciation or betterment on certain collision or comprehensive coverage auto insurance claims where your covered auto was not adjusted as a total loss.

As a result of this settlement, you are entitled to a payment equal to the amount deducted for depreciation or betterment on your claim, along with 10% per annum simple interest on the deduction amount calculated from the date the claim was originally paid. Accordingly, please find a check enclosed, which is payment for that amount.

If you have any questions regarding the enclosed check or this letter, please call 1-866-233-7091 ext. 970 or 214-561-1970. Please note that, if you accept this payment, this check must be negotiated no later than six (6) months from the date of its issuance. If you negotiate this check, you shall be deemed to have released Old American and its agents from any and all liability relating to this claim for the deduction of betterment or depreciation.

EXHIBIT F-2--FORM LETTER

Date: _____

Policyholder Name and Address: _____

Policy No. _____

Claim No. _____

Old American County Mutual Fire Insurance Company ("Old American") acknowledges receipt of your completed claim form in connection with your above loss. After reviewing company records, Old American has determined that you meet the eligibility requirements for reimbursement of betterment or depreciation on your claim. Old American is pleased to provide you with the enclosed check representing the amount deducted for betterment or depreciation on your claim, along with 10% per annum simple interest on the deduction amount calculated from the date the claim was originally paid.

Please note that, if you accept this payment, this check must be negotiated no later than six (6) months from the date of its issuance. Additionally, if you negotiate this check, you shall be deemed to have released Old American and its agents and representatives from any and all liability relating to the deduction of betterment or depreciation on this claim.

If you have any questions regarding the enclosed check or this letter, please contact Old American at: 1-866-233-7091 ext. 970 or 214-561-1970.

EXHIBIT G

Date: _____

Policyholder Name and Address: _____

Policy No. _____

Claim No. _____

Old American County Mutual Fire Insurance Co. ("Old American") acknowledges receipt of your completed claim form in connection with your above loss. After reviewing company records, Old American has determined that you do not meet the eligibility requirements for reimbursement of betterment or depreciation on your claim because either: (1) betterment or depreciation was never deducted on your claim; or (2) betterment or depreciation has already been refunded on your claim.

If you have any questions regarding this letter, please contact Old American at 1-866-233-7091 ext. 970 or 214-561-1970.